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SIPDIS

DEPARTMENT FOR EUR/SCE

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TAGS: [ELAB](#) [ECON](#) [PGOV](#) [HR](#)

SUBJECT: UNIONS AND GOC REACH AGREEMENT, STRIKES CANCELED

REF: A. ZAGREB 261

[1](#)B. ZAGREB 252

[1](#)1. SUMMARY: Union and GOC representatives have reached an agreement on public sector wages. Based on the agreement, union leaders called off their one-day-old strike and the demonstration planned for May 16 (Ref A), and union members have returned to work. According to the agreement, public servants will accept a six percent wage cut effective the day the agreement is finalized, and the government will raise pay by six percent when Croatia achieves two consecutive quarters of two percent real GDP growth. Based on the terms of the agreement and current economic forecasts, significant expenditures for wage increases will likely hit the government in 2011, in the run-up to the next parliamentary elections. End summary.

[1](#)2. Union and GOC representatives negotiated late into the night again May 13, but finally reached an agreement on public sector wages. Both sides have "initialed" the agreement. The unions now have 30 days to poll their members. Union leaders told the press they would sign the agreement if the majority of members support the terms; otherwise, they will begin negotiations again. In the meantime, union leaders have called off the one-day-old strike and the demonstration planned for May 16, and members are back to their regular work hours. The unions involved represent workers at public institutions in education (including universities), healthcare, research, culture, and social services.

[1](#)3. According to the agreement, the unions will accept the six percent pay cut, returning base salaries to 2008 levels. The government will raise salaries by six percent when Croatia achieves two consecutive quarters of two percent real GDP growth. This matches the terms accepted by government administration workers in March (Ref B). Other provisions of the agreement, however, specify in detail a multi-step process for adjusting public sector pay for inflation and bringing it closer to parity with national averages over the next several years up to 2016. The GOC also agreed to adjust wages for inflation in October 2010 if the two quarters of two percent GDP growth required for the six percent raise have not been achieved by that time. Conversely, the agreement specifies delays in wage increases in the case of negative GDP growth.

[1](#)4. In public statements, both union and government leaders have declared the agreement a victory. PM Sanader said, "We are all winners -- both the unions and the government." He said the agreement achieves two essential goals: protecting the people who work in the public sector and protecting public finances.

[1](#)5. COMMENT: With this agreement, the GOC has managed to freeze its budget expenditure for public servant salaries for 2009 and much of 2010, based on current economic forecasts. In exchange for this reprieve, the government could face a

difficult year in 2011, when various stipulated pay increases will likely be triggered. The government did not push this burden beyond the end of its mandate at the end of 2011. The agreement avoids a public demonstration the day before the May 17 local elections, but whether the ruling Croatian Democratic Union (HDZ) can deliver on its new promises to workers in 2011 may well influence parliamentary elections scheduled for the end of that year. END COMMENT.
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